

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SSO-00 NSCE-00 INRE-00 USIE-00 ERDA-07

AID-05 CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 FEA-01

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 5020

UNCLAS SECTION 1 OF 2 MEXICO 6562

FOR ASSISTANT SECRETARY ROGERS

E.O. 11652: N/A

TAGS: ENER, MX

SUBJECT: PARTIAL TEXT OF ASSISTANT SECRETARY PARSKY'S PRESS
CONFERENCE

1. RELATIVE COMMENTS ABOUT OPEC BY ASSISTANT SECRETARY PARSKY
AT HIS PRESS CONFERENCE FOLLOW.

2. FOLLOWING INCLUDED IN OPENING STATEMENT: WE HAVE HAD DISCUS-
SIONS AND WE ARE ENCOURAGED ABOUT THE POTENTIAL BENEFITS
TO THE MEXICAN ECONOMY OF OIL PRODUCTION. I KNOW THERE HAS
BEEN SOME SPECULATION IN OUR COUNTRY ABOUT MEXICO AND ITS
POSSIBLE JOINING OF OPEC. BASED ON OUR DISCUSSIONS, I THINK
THERE HAS BEEN SOME MISUNDERSTANDING OF THAT. THAT IN FACT,
THE MEXICAN GOVERNMENT HAS NOT AGREED TO JOIN OPEC AND THEY
HAVE NOT DECIDED TO MOVE IN THAT DIRECTION. I THINK THEY
HAVE INDICATED A WILLINGNESS TO ALWAYS CONSIDER AN INVITA-
TION TO DO ANYTHING, BUT CLEARLY I THINK THE GOVERNMENT
RECOGNIZES THE DRAWBACKS TO JOINING AND SO I HAVE SOME
DEGREE OF CONFIDENCE AFTER DISCUSSING THE MATTER WITH THEM
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THAT THEY HAVE NO INTENTION OF MOVING IN THAT DIRECTION. IT

WOULD CERTAINLY REMOVE SOME INDEPENDENCE ON THEIR PART IN TERMS OF THEIR OWN INTERNAL AFFAIRS. THEY CAN CERTAINLY SEEK WHATEVER THE MARKET WILL ALLOW FOR THEIR OIL. I MIGHT ADD THAT ON THE PETROLEUM ASPECT, WE HAPPEN TO BELIEVE THAT THIS IS AN IMPORTANT CONSIDERATION IN TERMS OF MEXICO'S FUTURE ECONOMIC PROSPERITY AND WE LOOK POSITIVELY AT THE POTENTIAL AS FAR AS PETROLEUM IS CONCERNED. OUR ESTIMATES ARE THAT THE VALUE OF EXPORTS WENT UP FROM 120 MILLION IN 1974 TO AN ESTIMATED 450 MILLION IN 1975, FROM LESS THAN 500,000 BARRELS PER DAY IN 1973 OUTPUT AT THE END OF 1975 HAS RISEN CLOSE TO 800,000 BARRELS A DAY. AND THERE ARE VARIOUS ESTIMATES, I THINK, OF POSSIBLE PRODUCTION. THEY RANGE ANYWHERE UP TO 2 MILLION BARRELS PER DAY BY 1980. I THINK THAT IF WE ALLOW FOR HIGHER DOMESTIC CONSUMPTION, IT CERTAINLY WOULD PERMIT MEXICO TO EXPORT MORE THAN A MILLION BARRELS A DAY BY THE END OF THE DECADE UNDER NORMAL CONDITIONS. AT \$10 A BARREL THE VALUE OF MEXICO'S PETROLEUM EXPORTS WOULD RISE FROM ABOUT 450 MILLION IN 1975 TO A POTENTIAL 4 BILLION BY THAT PERIOD. OBVIOUSLY, THE DEVELOPMENT OF THIS SECTOR IS AN INTERNAL DECISION ON THE PART OF THE MEXICAN GOVERNMENT AND HOW MUCH THEY WOULD DETERMINE TO REFINED DOMESTICALLY AND HOW MUCH THEY WOULD WANT TO USE DOMESTICALLY WILL BE A FACTOR. THE REASON I MENTION IT IS THAT IT IS OBVIOUSLY AN IMPORTANT CONSIDERATION WHEN YOU COME TO MAKE AN ASSESSMENT OF THE ECONOMIC POTENTIAL FOR THE COUNTRY.

3. QUESTION ABOUT MEXICO JOINING OPEC. ANSWER: RIGHT NOW MEXICO HAS THE ABILITY TO DETERMINE OIL POLICY TOTALLY ON ITS OWN. IT SEEKS THE MARKET PRICE FOR ITS PRODUCT AND THAT MARKET PRICE IS SET BY OTHERS, BUT IT DOES NOT, WITH RESPECT TO ITS OVERALL POLICIES, IT CAN PURSUE WHATEVER POLICY IT DEEMS TO BE APPROPRIATE. THAT WOULD BE CURTAILED BECAUSE IT WOULD BE SUBJECT TO THE COLLECTIVE WILL OF A GROUP OF COUNTRIES. I DIDN'T MEAN TO SUGGEST THAT THEY WOULD SEEK A DIFFERENT PRICE BECAUSE THEY PROBABLY WOULD BE SEEKING THE BEST PRICE THEY COULD GET AND THAT CERTAINLY WOULD BE, AT LEAST FOR THE REST OF THIS DECADE IN MY OPINION, IS GOING TO BE SET BY THE OIL PRODUCING COUNTRIES NO MATTER WHAT WE DO. THERE ARE SOME NEGATIVE CONSEQUENCES THAT WOULD

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FLOW VIS-A-VIS THE UNITED STATES BECAUSE OUR CONGRESS HAS ENACTED LEGISLATION WHICH DEPRIVES OPEC COUNTRIES OF THE GENERAL SYSTEM OF PREFERENCES. IF MEXICO DECIDED TO BECOME A PARTICIPANT IN OPEC, IT WOULD COME UNDER THAT LIMITATION. IT IS NOT SOMETHING THAT THE ADMINISTRATION HAS SUPPORTED BUT IT DOES EXIST IN OUR LAW. AND FINALLY, I WOULD JUST SAY THAT THERE WOULD BE AN IMPEDIMENT OR RESTRICTION ON THE VOLUME BECAUSE COLLECTIVELY PRODUCTION IS CONTROLLED WITHIN

THE OPEC COUNTRIES. THOSE ARE THE KINDS OF LIMITATION THAT I HAD IN MIND.

4. QUESTION FROM FINANCIAL TIMES REPORTER: WERE YOU LED TO BELIEVE THAT MEXICO WOULD NOT SEEK AN INVITATION TO JOIN OPEC AND IF INVITED WOULD LOOK THE OTHER WAY? ANSWER: I WAS CERTAINLY LED TO BELIEVE THAT THEY WOULD NOT SEEK SUCH AN INVITATION. IF INVITED THEY WOULD CONSIDER IT BUT I THINK THEY HAD CERTAINLY ILLUSTRATED TO ME THEIR UNDERSTANDING OF THE DRAWBACKS AND SO I CERTAINLY WOULD NOT GO AS FAR AS TO SAY FLATLY THAT THEY WOULD NOT, BUT I THINK THEY CERTAINLY HAVE AN UNDERSTANDING OF THE DRAWBACKS. AND I JUST MIGHT SAY ONE OR TWO OTHER THINGS ABOUT OPEC SINCE I HAVE HAD A LOT TO DO WITH WORK IN THAT PART OF THE WORLD. I HAPPEN TO BELIEVE THAT THE PROPER RESPONSE FOR THE U.S. TO OPEC IS NOT TO SEEK TO DESTROY OPEC OR NOT TO SEEK TO ESTABLISH A COUNTER-CARTEL TO OPEC AT ALL. THE ANSWER TO THE OIL QUESTION, THE ANSWER TO PRICING IN MY MIND IS TO SEEK TO DRAW CLOSER ECONOMIC TIES TO THE OIL PRODUCING COUNTRIES AND AT THE SAME TIME TO DEVELOP SOURCES OF OIL OUTSIDE OF THE OPEC COUNTRIES THAT WILL ALLOW THE MARKET PLACE TO HAVE A GREATER SAY IN THE SETTING OF PRICE IN THE 1980S. I THINK THAT BEFORE THAT TIME FRAME, I THINK IT IS SAFE TO SAY THAT OPEC WILL CONTINUE TO MAINTAIN THE ABILITY TO SET PRICE BECAUSE NO MATTER WHAT WE DO BETWEEN NOW AND 1980, I DON'T SEE ENOUGH ADEQUATE SUPPLIES ON HAND TO AFFECT THE DETERMINATION OF PRICE.

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 5021

UNCLAS SECTION 2 OF 2 MEXICO 6562

5. QUESTION: IF MEXICO WILL JOIN OPEC, WOULD THE TRADE LAW CLOSE THE U.S. MARKET? ANSWER: NO, I DIDN'T MEAN TO SUGGEST THAT AT ALL. WE HAVE NOT PURSUED A COURSE OF RESTRICTIONS OR ECONOMIC EMBARGOS AGAINST THE OIL PRODUCING OR AGAINST OPEC AND I DON'T BELIEVE THAT IS A COURSE WE SHOULD PURSUE. ALL I WAS POINTING OUT IS THAT OUR CONGRESS HAS ENACTED LEGISLATION, WHICH WE OBJECTED TO, IN THE EXECUTIVE BRANCH BUT WHICH DOES EXIST, WHICH DEPRIVES OPEC COUNTRIES OF OUR GENERALIZED SYSTEM OF PREFERENCES. MEXICO NOW ENJOYS THE BENEFITS OF THAT PROGRAM. I'M NOT SURE OF THE EXACT EXTENT BUT IT'S RATHER SIZEABLE AND BY LAW, THEY WOULD COME UNDER THAT RESTRICTION. IT'S NOT A RESTRICTION THAT I HAVE SUPPORTED BUT IT JUST EXISTS AND I THINK IT'S IMPORTANT TO UNDERSTAND THAT THEY WOULD COME WITHIN THAT. BUT AS FAR AS ANY OTHER MEASURES, WE HAVE NOT CONTEMPLATED SUCH ACTS, SUCH RESTRICTIONS OR EMBARGOS, THE KIND OF EMBARGOS AS I SAID I DON'T THINK THAT'S THE PROPER POLICY AND WE CERTAINLY WOULDN'T PURSUE IT WITH RESPECT TO MEXICO.

6. QUESTION: IS THERE A POSSIBILITY THAT MEXICO WILL SUPPLY MORE OIL TO THE UNITED STATES? ANSWER: I THINK I MENTIONED SOME OF THE POTENTIAL PRODUCTION LEVELS THAT MEXICO WE
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THINK COULD REASONABLY ACHIEVE BY 1980. AS FAR AS THE U.S. IS CONCERNED WE WOULD WELCOME THAT. WE ARE UNDERTAKING PROGRAMS IN THE U.S. AIMED AT PROVIDING US WITH THE ABILITY FOR SELF-SUFFICIENCY. BY THAT I MEAN THE ABILITY TO BE IN A POSITION OF BEING INVULNERABLE TO A CUTOFF IN A SUPPLY, NOT ZERO IMPORTS BUT IN A POSITION OF BEING INVULNERABLE TO A CUTOFF IN SUPPLY BY THE MID-1980S. WE WILL STILL CONTINUE TO IMPORT. WE WOULD WELCOME THE POTENTIAL OF IMPORTING FROM MEXICO AS WELL AS FROM OTHER COUNTRIES. BUT I THINK IT POINTS OUT, MEXICO'S POTENTIAL THAT EXISTS IN THE OUTER CONTINENTAL SHELF, POTENTIAL THAT EXISTS IN ALASKA, THE POTENTIAL EXISTS IN THE NORTH SEA, POINT OUT THE ANSWER REALLY TO THE OIL PRICE QUESTION. THAT ANSWER LIES IN CREATING THE OBJECTIVE CONDITIONS TO RETURN PRICING TO THE MARKET PLACE. IT DOES NOT LIE IN TALK OF EMBARGOING OR COUNTER-EMBARGOING OR IN TERMS OF ECONOMIC WARFARE. I DON'T BELIEVE THAT THAT'S THE ANSWER. THE ANSWER LIES IN DEVELOPING ALTERNATIVE SOURCES AND MEXICO OFFERS A GREAT POTENTIAL FOR THAT.
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